

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 23-16
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ALJ REPORT**
)
)
_____)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to reduce the current LEAC Factor from \$0.318576/kWh to \$0.248145/kWh for meters read on or after June 1, 2023, to be effective for the period of June 1, 2023 through January 31, 2024.¹ On October 27, 2022, the PUC, after several prior increases of the LEAC factor in 2022, the PUC increased the LEAC Factor from \$0.296043 to \$0.318576 per kWh for meters read on or after November 1, 2022.² The LEAC Factor of \$0.318576 has remained in effect from November 1, 2022, up to the present time. If the PUC grants GPA's Petition, the current Factor will remain in effect until June 1, 2023; the new factor of \$0.248145/kWh would be in effect from June 1, 2023 through January 31, 2024.³

BACKGROUND

In GPA Resolution No. FY2023-06, dated April 25, 2023, the Guam Consolidated Commission on Utilities authorized the GPA Management to petition the PUC to

¹ GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 23-16, dated May 3, 2023.

² PUC Order, GPA Docket 22-15, PUC Review of Levelized Energy Adjustment Clause (LEAC) Factor, dated October 27, 2022, at p. 7.

³ GPA Petition at p. 1.

reduce the secondary voltage levelized energy adjustment clause factor to \$0.248145/kWh for the period of June 1, 2023, through January 31, 2024.⁴

ANALYSIS

I. GPA'S FILING DOES NOT FOLLOW STANDARD LEAC PROCEDURE UNDER RATE SCHEDULE Z; DESPITE GPA' FAILURE TO FOLLOW THE STANDARD PROCEDURE, THE PUC MAY, IN ITS DISCRETION, CONSIDER SUCH A FILING.

GPA is allowed to recover its fuel costs and fuel related costs under a factor which is reset and trued up **every (6) six months** through the LEAC.⁵ The Guam Power Authority's SCHEDULE "Z", Levelized Energy Adjustment Clause, provides that: **"The Fuel Recovery Charge will be recalculated semi-annually for a (6) six month period** and be subject to the approval of the Guam Public Utilities Commission."⁶

Under established procedure, GPA is required to file LEAC petitions semi-annually twice a year, on or before June 15 and December 15 of each year. The PUC then establishes the appropriate LEAC Factor effective February 1 and August 1 of each year. The current LEAC factor of \$0.318576/kWh was established by the PUC effective February 1, 2023 and is in effect for a six-month period until July 31, 2023.

If GPA wishes to change the LEAC Factor during this LEAC period, which ends July 31, 2023, GPA should have filed a petition within this LEAC period to change the LEAC

⁴ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2023-19, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Reduce the Levelized Energy Adjustment Clause for the period of June 1, 2023 through January 31, 2024, adopted and approved on April 25, 2023.

⁵ Id., at p. 1.

⁶ Rate Schedule "Z", Effective with meters read on and after April 01, 2012. (Rate Schedules to Reflect PUC Decision in Docket #11-09 Order, **Tariff FY2016**).

factor to an amount which would be in effect until July 31, 2023. Where the LEAC under or over recovery balance exceeds \$2 million during the 6 month levelized period, GPA may seek to adjust the Fuel Recovery Charge within the 6-month period.⁷

GPA should have first filed a petition to change the LEAC factor for the remaining months within this six-month levelized period. It should have filed a second petition to establish a new LEAC Factor for the period of August 1, 2023, through January 31, 2024. The PUC would then set a LEAC Factor at its July meeting for the period of August 1, 2023, through January 31, 2024. Instead, GPA filed a petition on May 3, 2023, to change the LEAC Factor **for an eight-month period**, from June 1, 2023, to January 31, 2024. Tariff Z generally only allows for the setting of a LEAC Factor for a six-month period.

Since there is legal authority for GPA to seek a change of the LEAC Factor within the six-month period, the PUC may deem this petition to be a proper request to change the Factor within this six-month LEAC period and to establish a new Factor for the next six-month period commencing August 1, 2023. There is a compelling public interest in reducing the LEAC Factor to the proper level immediately so that ratepayers don't continue to pay higher LEAC rates than justified. The PUC should request that, in future LEAC filings, GPA strictly follow the requirements of Rate Schedule Z

II. A REDUCTION IN THE LEAC FACTOR EFFECTIVE JUNE 1 2023, IS JUSTIFIED.

In its Petition submitted for the current LEAC period in December of 2022, GPA stated that the Average Price per Bbl-RFO & ULSFO 0.20% was \$148.10, and the Average Price per Bbl-Diesel was \$119.19.⁸ For the period which GPA now seeks to establish a

⁷ Id.

⁸ GPA Petition, GPA Docket 23-06, dated December, 2022 GPA Resolution No. FY2013-06, Exhibit A.

reduced LEAC Factor, June 2023 through January 2024, there has been a considerable reduction in the Average Price per Bbl-RFO & ULSFO 0.20% to \$130.54, and the Average Price per Bbl-Diesel to \$103.23.⁹ GPA's Petition states: "The basis to reduce the present LEAC factor is due primarily to the decrease in worldwide fuel prices from \$130.28/bbl using the current projections for the 6-month period ending July 31, 2023, to an expected \$113.16/bbl for the period ending January 31, 2024."¹⁰ GPA Resolution No. FY2023-19 also indicates that "...the most recent Morgan Stanley market projections for fuel prices has declined from the previous filing and projected over-recovery for the period ending January 31, 2024 at the proposed reduced LEAC rate of \$0.248145/kWh is about ten thousand dollars"...¹¹

There are two salient reasons which justify a reduction in the LEAC Factor: (1) there has been a steep decline in fuel prices; and (2) the proposed LEAC Factor would eliminate the under-recovery by January 31, 2024, and produce a slight over-recovery of \$10,000.¹²

III. DUE TO A FURTHER REDUCTION IN FUEL PRICES SINCE APRIL OF 2023, THE LEAC FACTOR CAN BE REDUCED TO AN EVEN GREATER EXTENT.

GPA's Petition to set the LEAC Factor at \$0.248145/kWh was based upon the Morgan Stanley pricing in the Asia Morning Call. Fuel prices have dropped considerably since the MS Pricing which GPA relied upon in its Petition (April 10-14, 2023). The MS

⁹ GPA Petition, GPA Docket 23-16, Exhibit A-04 (GPA Proposed LEAC Rate (\$000), Update as of 4/21/2023).

¹⁰ GPA Petition at p. 2.

¹¹ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2023-19, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Reduce the Levelized Energy Adjustment Clause for the period of June 1, 2023 through January 31, 2024, adopted and approved on April 25, 2023, at Exhibit A-01.

¹² GPA Petition, GPA Docket 23-16, Exhibit A-04 (GPA Proposed LEAC Rate (\$000), Update as of 4/21/2023).

pricing GPA used was approximately \$100-102 per bbl. for Sing Gasoil 10ppm. However, the MS pricing for May 4-11 indicates that the price for Sing Gasoil 10ppm, which is equivalent to pricing for diesel, is now approximately \$90 per bbl.

Based upon the further reduction in fuel oil pricing, approximately 10% since GPA filed its petition, the PUC should reduce the LEAC Factor even further. GPA's updated LEAC calculation is attached hereto as Exhibit "A".¹³ The updated MS pricing data in Exhibit A (May 4-11, 2023) indicates that the Average Price per Bbl-RFO & ULSFO 0.20% is now \$116.80, and the Average Price per Bbl-Diesel is \$94.36.¹⁴

IV. THE PUC SHOULD REDUCE THE LEAC FACTOR TO \$0.231144 FOR METERS READ ON OR AFTER JUNE 1, 2023 FOR THE PERIOD OF JUNE 1, 2023 THROUGH JANUARY 31, 2024.

Exhibit A demonstrates that the establishment by the PUC of a LEAC Factor of \$0.23144 for the next eight months will result in the elimination of any under-recovery of GPA's fuel expenses by January 31, 2024. This proposed LEAC Factor will result in a 21.01% decrease in the total bill, and a 27.44% decrease in the LEAC Factor.¹⁵ The average residential customer's bill will be reduced by \$87.43 per month.¹⁶ If approved by the PUC, the LEAC factor will be reduced by nearly 9 cents per kWh.

GPA ratepayers, who have previously been compelled to pay extremely high fuel oil prices, should benefit, to the fullest extent possible, from the reduction in fuel oil prices.

There is also a possibility that GPA ratepayers will be provided with further government assistance on their power bills. On May 10, 2023, the Guam Legislature

¹³ GPA Proposed LEAC Rate, Update as of 5/11/2023, attached hereto as Exhibit "A".

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

passed Bill 83-37, which would take about \$15.5 million from the fiscal 2022 general fund excess, and nearly \$10.8 million from fiscal year 2023 excess, to support another 5-month extension to last year's power bill subsidy program.¹⁷ Bill No. 83-37, if approved by the Governor, would provide residential and commercial customers with a Five Hundred Dollar (\$500) credit toward their accounts with the Guam Power Authority, disbursed at \$100 dollars each month for the months of May 2023, June 2023, July 2023, August 2023, and September 2023.¹⁸

RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge ["ALJ"] recommends that the PUC reduce the current LEAC Factor to \$0.231144/kWh for meters read on or after June 1, 2023, and for the period of June 1, 2023 through January 31, 2024.

GPA has requested that the reduced LEAC Factor be effective June 1, 2023. However, the next regularly scheduled Guam Public Utilities Commission Meeting is not until June 5, 2023.

To reduce the fuel charge factor effective June 1, 2023, the ALJ submits that the Chairman of the PUC should issue an order to ensure that the LEAC reduction is effective June 1. A Chairman's Order is authorized in accordance with 12 GCA Sec. 12105.

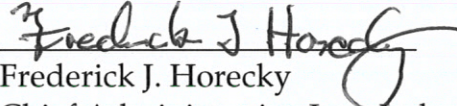
¹⁷ The Guam Daily Post, May 11, 2023, at p. 1.

¹⁸ The Guam Legislature, Bill No. 83-37, passed on May 10, 2023.

The reduction of the LEAC Factor cannot await Commission action at the next scheduled PUC Meeting on June 5, 2023. GPA billings for the month of June commence on June 1. Delay will deprive some ratepayers of the right to immediate implementation of reduction of LEAC fuel recovery charges and require ratepayers to pay charges that they should not lawfully owe. The Chairman's Order will be subject to ratification by the Commission at its June 5, 2023 meeting.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 15th day of May, 2023.


Frederick J. Horecky
Chief Administrative Law Judge

GPA

Proposed LEAC Rate (\$000)

Update as of 5/11/2023

Average Price per Bbl-RFO & ULSFO 0.20%

Average Price per Bbl-Diesel

Number 6 (HSFO/LSFO)

Number 2 (Diesel)

Renewable (Solar)

TOTAL COST

Handling Costs

Total Current Fuel Expense

Civilian Allocation

LEAC Current Fuel Expense

Estimated DSM for this period

Deferred Fuel Expense at the beginning of the period

Total LEAC Expense

Less: Trans. Level Costs

Distribution Level Costs

Over recovery/(Under) at the end of the period

Adjusted Distribution Level Costs

Distribution Level Sales (mWh)

LEAC Factor Distribution

Current LEAC Factor Distribution

Increase/(Decrease)

Monthly Increase/(Decrease) - 1000 kWh

% Increase/(Decrease) in LEAC

% Increase/(Decrease) in Total Bill

Discount (3%) - Primary 13.8 KV

Discount (4%) - 34.5 KV

Discount (5%) - 115 KV

Actuals as of 3/31/2023				
JUN 23 - JAN 24				
MS Pricing 05.04.23 to 05.11.23				
	\$0.248145	\$0.238145	\$0.231144	
\$	116.80	116.80	116.80	116.80
\$	94.36	94.36	94.36	94.36
\$	60,922	60,922	60,922	60,922
\$	86,193	86,193	86,193	86,193
\$	9,591	9,591	9,591	9,591
\$	156,706	156,706	156,706	156,706
\$	9,103	9,103	9,103	9,103
\$	165,809	165,809	165,809	165,809
\$	79.757%	79.757%	79.757%	79.757%
\$	132,244	132,244	132,244	132,244
\$	1,500	1,500	1,500	1,500
\$	9,084	9,084	9,084	9,084
\$	142,828	142,828	142,828	142,828
\$	8,500	8,584	8,332	8,332
\$	151,328	151,412	151,160	151,160
\$	14,178	5,843	-	-
\$	165,506	157,255	151,160	151,160
\$	579,195	579,195	579,195	579,195
\$	\$0.248145	\$0.238145	\$0.231144	\$0.231144
\$	0.318576	0.318576	0.318576	0.318576
\$	(0.070431)	(0.080431)	(0.087432)	(0.087432)
\$	(70.43)	(80.43)	(87.43)	(87.43)
\$	-22.11%	-25.25%	-27.44%	-27.44%
\$	-16.93%	-19.33%	-21.01%	-21.01%
\$	0.240711	0.231011	0.224219	0.224219
\$	0.240018	0.230345	0.223573	0.223573
\$	0.237063	0.227510	0.220821	0.220821